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Vietnam's Foreign Exchange Crisis: A Stranglehold on the Economy

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An Intelligence Assessment

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Vietnam's Foreign Exchange Crisis: A Stranglehold on the Economy

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An Intelligence Assessment

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Vietnam's Foreign Exchange Crisis: A Stranglehold on the Economy 25X1

Key Judgments

Information available as of 14 September 1984 was used in this report.

Rapidly growing payments on Vietnam's $1.5 billion hard currency foreign debt, combined with a dismal export performance, have produced the worst foreign exchange shortage since the formal reunification of the country in 1976. As a result, Hanoi has virtually stopped making debt payments to non-Communist creditors. 25X1

The foreign exchange problems seem certain to persist for the near term, and the economy will, at best, achieve only marginal growth for the remainder of the decade, despite roughly $1 billion a year in Soviet economic assistance. Nonetheless, it is unlikely that economic hardship will translate into any domestic or foreign policy shifts. Hanoi has consistently refused to withdraw its troops from Kampuchea despite offers of substantial economic aid from Japan and Australia. The inability to trade with or to borrow from the West, moreover, will probably push Vietnam even further into the Soviet embrace. And Moscow will use that dependence to ensure continued access to Vietnamese military facilities, particularly at Cam Ranh Bay, and to increase involvement in the Vietnamese economic policy making apparatus. 25X1

Even under the most optimistic assumptions for debt rescheduling and export growth, arrears on Vietnam's foreign debt are likely to approach $1 billion by 1987. A multilateral rescheduling of Vietnam's hard currency debt is unlikely, however, as long as Hanoi refuses to adopt an IMF-supported austerity program and move ahead with economic reforms. The current leadership believes these measures would reverse progress toward achieving a socialist economy. 25X1

Even with a debt rescheduling, Hanoi would find it difficult to expand exports to the West because of supply limitations, low-quality products, and poor expertise in international trade practices. In addition, about three-fourths of Vietnam's future exports may have already been earmarked as partial repayment for its $4.5 billion debt to the Soviet Bloc. 25X1

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Declining Economic Relations With the West

After the reunification of Vietnam in 1976, Hanoi looked to an expansion of economic relations with the West to play a key role in financing the reconstruction and development of its war-devastated economy. While maintaining predominant economic contact with its Communist supporters—the Soviet Union and China—Hanoi envisioned a resumption of commodity exports to the West, a substantial inflow of foreign aid from non-Communist governments, private foreign investment in manufacturing and offshore oil exploration, and eventual access to commercial loans from private Western banks. In 1976 Hanoi took up the former Saigon government's seats at the IMF and the Asian Development Bank, gaining access to concessional financing. At the time, financial analysts projected an annual inflow of foreign capital approaching $500 million in 1976-80 to supplement the larger aid flows promised by Communist nations.

Financial assistance of this magnitude never materialized. Vietnam's invasion of Kampuchea in December 1978 sharply cut Hanoi's economic contacts with non-Communist countries. As a result of a Western trade and aid embargo, the annual inflow of economic aid and loans fell from roughly $500 million in 1978 to about $100 million in 1983, and most Western foreign aid personnel were withdrawn. The value of Vietnam's foreign trade with the West fell by 25 percent in the same period. 25X1

In addition, the worsening economy—a result of bad weather, poor management, and attempts to rapidly collectivize southern agriculture—and intransigent Vietnamese officials discouraged most private investment. By 1981 the last Western oil company drilling in the South China Sea abandoned the search, frustrated by the lack of commercial finds and an unbending Vietnamese bureaucracy. 25X1

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Vietnam's Foreign Exchange Crisis: A Stranglehold on the Economy

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Growing Debt Problems

Although Vietnam at present has only limited economic contacts with non-Communist countries, its earlier economic flirtation with the West left Hanoi with a burdensome $1.5 billion hard currency debt.[1] Most of this debt stems from borrowings in the late 1970s to finance oil imports and to fund ambitious development projects. Roughly $1 billion is owed to official creditors—largely Iraq, Algeria, France, and Japan—and $300 million to private creditors. About $150 million is owed to international organizations. The largest private creditor is Japan, which has provided most of Vietnam's short-term import credits. No US institutions are directly involved because Hanoi in 1975 repudiated most of the debts incurred by the South Vietnamese Government.

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Vietnam's foreign debt obligations, moreover, have accelerated since 1980 because of rising international interest rates and the expiration of grace periods on most of its borrowings. Total scheduled debt-service payments to the West (principal and interest) rose from $136 million in 1979 to an annual average of $280 million in 1981-83, one and a half times Hanoi's hard currency export earnings (see figure 1).

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This rapid increase coincided with a sharp decline in foreign exchange earnings. Official foreign exchange receipts fell by 50 percent between 1978 and 1983 to $326 million. In addition to the drop in Western loans and grant aid, hard currency export earnings—which Hanoi once hoped would finance machinery imports from the West—have also proved disappointing. In 1983 exports to non-Communist countries were $178 million, just enough to pay for two-thirds of Vietnam's imports from the West (see appendix A, table 3).

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[1] Statistical sources for this paper include IMF publications, official Vietnamese and Soviet statistics, and refugee reporting. Where possible, Vietnamese statistics are used for consistency. The terms foreign exchange and hard currency are used interchangeably.

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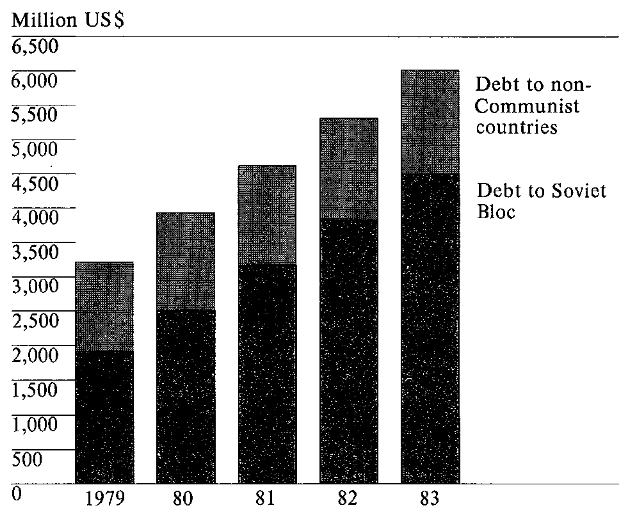
Figure 1
Vietnam: Growth of Foreign Debt, 1979-83[a]



[a] IMF estimates. Includes obligations to the IMF and short-term credits.

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By 1981 Vietnam's reserves of hard currency were exhausted, and Hanoi had essentially stopped payment on its foreign debt. Overdue debt payments jumped to $251 million in 1982 and reached $428 million last year. Hanoi at the end of last year had less than $16 million of foreign exchange.[2]

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[2] Vietnam's official foreign exchange reserves also include 735,000 ounces of gold, half of which is pledged as collateral for a $102 million loan. Hanoi maintains it is reserving the remainder of its gold stock for a future unspecified emergency.

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Current Woes

There is little indication that the situation has improved in recent months. Vietnamese press reports indicate that export growth continues to lag this year after increasing only 10 percent last year—far less than the 60 percent called for in Hanoi's economic plan. Moreover, the remaining Western aid projects are nearing completion and will bring little additional hard currency to Vietnam.[3] As a result, Hanoi has probably fallen behind in its debt payments by at least another $150 million so far this year.[4] [redacted]

Vietnam's reputation as a poor credit risk—even for short-term import credits—is growing. The Japanese Export Insurance Association earlier this year limited to $300,000 the value of shipments to Vietnam it would insure, [redacted] Letters of credit issued in Singapore for Vietnamese imports now require a guarantor's signature—in many cases either the Vietnamese Foreign Trade Bank or the Moscow Narodny Bank must cosign, [redacted]

More troublesome for Hanoi's foreign exchange managers is the prospect of large rice purchases this year. Bad weather and a severe insect infestation have damaged the rice crop in the north, where the spring harvest was down about 10 percent from the previous year. Hanoi is concerned that the crop to be harvested later this year will also be a poor one. Although prospects for the rice crop in the south—which produces nearly 60 percent of the country's rice—are fairly good, Hanoi, as a precaution, has already bought more than 100,000 metric tons of rice from Thailand and Burma, [redacted] More bad weather could force Hanoi back into the international market, preempting hard currency intended for other uses. [redacted] 25X1 25X1

Hanoi has also run afoul of the IMF, reducing Vietnam's prospects for balance-of-payments assistance. Since February, Hanoi has missed all scheduled payments for loans to which it has been automatically entitled as an IMF member and by midyear was $15 million in arrears. The IMF, which considers making such payments essential to a member's good standing, is debating Hanoi's access to further funds. Top Vietnamese leaders appear unaware of the seriousness of the situation, according to diplomatic reporting, and continue to request IMF balance-of-payments assistance before settling the arrears. Hanoi has even proposed using some of Vietnam's bank accounts in the United States, blocked since 1975, to repay the IMF. The United States refuses to discuss releasing these funds, which once belonged to the South Vietnamese government and total roughly $100 million, as long as Vietnam maintains troops in Kampuchea. [redacted] 25X1 25X1 25X1 25X1

Hanoi's Response

To continue importing from the West, Hanoi has attempted to stretch out payment of both principal and interest on its hard currency debt and has repeatedly stated it would not repudiate its debts. Vietnam has also appealed several times, without success, to the IMF for balance-of-payments assistance and to the Paris Club—an organization of official creditors—to sponsor a multilateral debt-rescheduling package, which it has refused to do. [redacted] 25X1

This has left Hanoi to pursue debt relief on a bilateral basis, and Vietnam between 1981-83 succeeded in stretching out about $250 million in loans from Libya, Iraq, Algeria, and commercial banks in the United Kingdom, West Germany, and Belgium [redacted] 25X1 25X1 25X1

[3] The major Swedish aid project—a pulp and paper mill—opened last year, but lack of pulp forces it to operate at less than 50 percent of capacity, according to press reports. A Finnish-built shipyard near Haiphong was commissioned early this year although several more years will be needed to complete the project. [redacted]

[4] The foreign exchange crunch has also proved embarrassing in diplomatic circles. Hanoi over the past two years has closed embassies in Pakistan, Denmark, and Norway because of lack of funds. [redacted] 25X1 25X1

The deteriorating foreign exchange situation this year has caused Hanoi to intensify these efforts. Tentative agreement has been reached for the refinancing of $170 million in arrears to private Japanese banks, delaying payment until 1986-92. Hanoi is currently negotiating the rescheduling of another $400 million with Algeria, Libya, and India. If all these talks are successful—which we believe is unlikely—Vietnam would be granted $290 million of debt relief in 1984 but would remain nearly $400 million in arrears. [redacted] 25X1

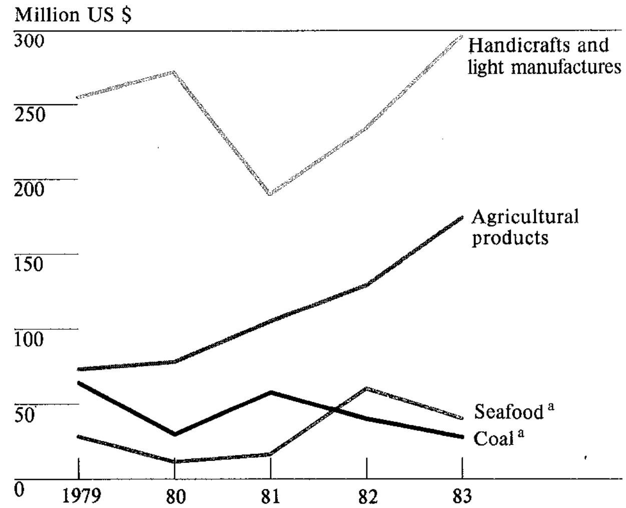
Hanoi has been less successful in expanding its foreign exchange earnings. Since 1980 Vietnam has devalued the currency by 70 percent, introduced incentives for improved export performance, raised the priority of export industries for domestic investment funds, and encouraged the roughly 1 million overseas Vietnamese to send cash instead of parcels to relatives at home. These measures produced temporary results as the value of exports to the West rose by 35 percent in 1982, and remittances from abroad through official channels increased sharply to almost $50 million (see figure 2). [redacted] 25X1

This success was short-lived, however, as Marxist hardliners in the Politburo renewed efforts to bring the reinvigorated private sector under control by sharply increasing taxes on private businesses, stiffening restrictions on currency transfers from overseas, and reintroducing central control over the activities of foreign trade companies. As a result, the growth of export earnings slowed markedly in 1983 and overseas remittances fell by about 20 percent. [redacted]

The Tests Ahead

The key to easing the foreign exchange crunch in the near term is a multilateral rescheduling of Hanoi's hard currency debt which—on present terms—will require payments averaging $260 million annually during 1985-87 and much better export performance. Even with bilateral debt relief and moderately optimistic assumptions for export growth, overdue payments are likely to increase sharply over the next few years as debt service approaches $300 million annually by 1987. [redacted] 25X1

Figure 2
Vietnam: Principal Exports, 1979-83



[a] Coal and seafood exported largely to non-Communist countries.

[redacted] 25X1

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Without a multilateral debt rescheduling, Hanoi's accumulated arrears will probably approach $1 billion by 1987 (see table 1). Only with sustained export growth of about 30 percent a year would Vietnam's debt service ratio fall below 50 percent before the end of the decade. Financial analysts generally consider a debt service ratio higher than 20 to 25 percent a danger sign. [redacted] 25X1

Prospects for a spurt in export earnings by the end of the decade, moreover, are poor (see appendix B). The major impediment to increased commodity exports is the large but unknown extent of Hanoi's contractual export obligations to the USSR. [redacted] 70 to 80 percent of Vietnam's future exports may already be mortgaged to Moscow as part of the price of continued Soviet economic assistance. [redacted] 25X1

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Table 1
Vietnam: Projected Hard Currency Debt Service Ratios and Debt Arrears Under Differing Export Growth Scenarios [a]

Million US $ (except where noted)

	1984	1985	1986	1987	1988	1989	1990
Total debt service payments [b]	**185.9**	**216.5**	**270.7**	**292.5**	**298.3**	**290.6**	**224.0**
Principal	96.9	128.0	177.2	182.5	169.8	149.0	73.6
Interest [c]	89.0	88.5	93.5	110.0	128.5	141.6	150.4
Debt service ratio under alternative export scenarios [d]							
Low growth *(percent)*	88.0	100.0	114.0	116.0	104.0	92.0	65.0
Moderate growth *(percent)*	88.0	92.0	96.0	89.0	73.0	60.0	38.0
High growth *(percent)*	88.0	85.0	82.0	70.0	53.0	40.0	23.0
Accumulated arrears under alternative export scenarios [b, d]							
Low growth	356	536	745	975	1,178	1,344	1,380
Moderate growth	356	530	735	954	1,142	1,271	1,271
High growth	356	495	639	762	809	739	228

[a] On loans taken out before 1 January 1984.
[b] Assuming bilateral rescheduling negotiations under way in mid-1984 are completed.
[c] Includes imputed interest on arrears.
[d] Low growth = 10 percent annually.
Moderate growth = 20 percent annually.
High growth = 30 percent annually.

[redacted] 25X1

We believe the development of exports to the West is also hindered by poor port facilities, lack of technical know-how and marketing skills, and severe quality-control problems. [redacted] Vietnamese managers do not understand the concept of flexible prices and believe the last price they have been quoted—even if months old—is the correct price, whether world prices have since risen or fallen. [redacted] 25X1

Near-Term Outlook

We expect Vietnam's severe foreign exchange problems to persist at least during the rest of this decade. Hanoi's chances for a multilateral debt rescheduling depend on improving relations with the IMF and on adopting an IMF-recommended austerity program in return for balance-of-payments assistance. These reforms would probably include:

- Another large currency devaluation. The 1981 devaluation has been more than offset by rapid domestic price increases, especially in key export industries such as seafood.
- Slowed growth of credit and government spending, including military spending, to limit inflation.
- Sharp reductions in consumer subsidies, especially the rice subsidy to government workers. [redacted] 25X1

We believe the current leadership, however, is unlikely to adopt these reforms because—in Hanoi's view—they would reverse the country's progress toward a socialist economy and also require insupportable austerity measures.[5] Nor is Hanoi likely in the near term to take the steps necessary to stimulate exports or to attract foreign capital from non-Communist countries. Although the government could probably increase the inflow of official remittances from overseas Vietnamese by assuring them that their families at home had use of the funds, even a doubling of remittances from abroad would make little headway in reducing overdue debts. [redacted] 25X1

[5] The proposed budget cuts would probably not reduce Hanoi's military operations in Kampuchea because most of the cost is, we believe, paid for by the Soviet Union. [redacted] 25X1

The Role of Soviet Financial Support

Hanoi's deteriorating external finances have forced it to rely more heavily on the Soviet Union for economic support—a dependence that complicates Vietnam's attempts to ease its foreign exchange problems. The Soviet Union—and its East European allies—provide roughly $1 billion annually in economic and technical assistance along with between $500 million and $1 billion in military assistance. In return, Hanoi allows Moscow to use Vietnamese military facilities, principally Cam Ranh Bay. According to Vietnamese trade statistics, the Soviet Bloc provides four-fifths of Vietnam's imports, including almost all of its oil supplies as well as industrial machinery and most of Vietnam's supply of fertilizer. Hanoi in turn must send the bulk of its exports to the Soviet Union and Eastern Europe, leaving little for sale to hard currency areas. [redacted]

Vietnam's large trade deficit with the Soviet Bloc—about $800 million in 1983—is financed by converting the deficit to long-term, low-interest loans, according to the IMF. Since 1981 [redacted] *Soviet economic assistance has increasingly been provided in the form of long-term, concessional loans instead of outright grants. Whatever the form of financing, Hanoi's debts to the Soviet Bloc have more than doubled since 1979 to $4.5 billion in 1983. Vietnam—unable to export enough to the Soviet Bloc to pay for its imports—is also falling behind on debt payments to Communist countries. Hanoi, however, is not charged interest on the missed payments, according to the IMF.* [redacted] 25X1

Nonetheless, according to press reports and refugee reporting, Moscow in the past few years has pressed Hanoi to make some effort at debt repayment. About one-third of the wages of the more than 60,000 Vietnamese now working in the Soviet Union and Eastern Europe is reportedly withheld by these countries as debt payment, [redacted] *Moreover, the long-term economic cooperation agreement that Moscow and Hanoi signed last November calls for increased Vietnamese shipments of agricultural products, minerals, and light industrial goods to the Soviet Union, making it even more difficult for Hanoi to increase exports to the West.* [redacted]

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Hanoi's external financial problems as a consequence will continue to severely hamper efforts to improve economic performance and to boost real growth beyond the annual average of 3 percent registered since 1979. Soviet Bloc economic aid at $1 billion annually will be insufficient to move the Vietnamese economy forward at more than a snail's pace:

- According to UN experts, future food production may lag behind population growth—at 2.4 percent annually one of the highest in East Asia [6]—without a sharp increase in the application of improved seeds and fertilizer.

- Hanoi's inability to purchase petroleum supplies above the 36,000 b/d provided by the Soviet Union last year will perpetuate the severe power shortages that force the industrial sector to operate at less than 50 percent of capacity and to limit operation of irrigation pumps.

- Financial constraints seem certain to slow development of petroleum resources.[7] Over the past few months, Hanoi—which is engaged in a joint oil-drilling venture with the USSR in the South China Sea—has been desperately searching for drilling equipment to supplement that provided by Moscow but has been unable to complete the financial arrangements.

- Hanoi's inability to increase imports of raw materials, machinery, and spare parts from the West slows the revival of the Western-built manufacturing sector in the south. [redacted] 25X1

[7] The joint Vietnamese-Soviet enterprise drilling for oil in the South China Sea made a small find this May. [redacted] 25X1 25X1

[redacted]

[redacted] 25X1

Another Look West?

These severe constraints on growth must be raising some questions in Hanoi about the viability of a policy that precludes increased economic relations with non-Communist nations. Although we have little information on the views of individual leaders, the existence in the Politburo of a moderate faction on economic policy is widely reported. Vo Van Kiet, a Politburo member and head of the state planning apparatus, is mentioned in [redacted] diplomatic circles as a contender for the top spot in a post–Le Duan government. Kiet apparently has been favorably impressed by the economic policy process in Hungary—which, among East European countries, places the most emphasis on production incentives and economic relations with the West—according to refugee reporting. [redacted] 25X1

Moreover, Vietnamese leaders, while staunch Communists, are extremely nationalistic, and many refugees report that younger officials and party cadres are concerned about the growing Soviet influence. It is possible that a future leadership may try to balance this influence by adopting economic reforms necessary to gain IMF financing. If this occurs, Vietnam will find it easier to increase economic dealings with the West. [redacted] 25X1

Whatever the future leadership picture in Hanoi, we do not believe that either economic hardship or concern about Soviet influence in Vietnam will encourage the current leadership to alter its domestic or foreign policy objectives any time soon. Hanoi in the past has shown no willingness to change its policies for badly needed economic assistance, and over the past few months Hanoi has refused offers of substantial economic aid from Australia and Japan that were conditioned on Vietnam withdrawing its troops from Kampuchea. [redacted] 25X1

The short-term prospects, therefore, are for even closer economic ties to the Soviet Union as Vietnam's inability to buy or borrow from the West forces it to continue to rely heavily on Soviet economic and military aid. And Moscow in turn will use that dependence to ensure continued access to Vietnamese military facilities, particularly at Cam Ranh Bay, and to increase involvement in the Vietnamese economic policymaking process. [redacted] 25X1 25X1 there are already a growing number of Soviet advisers 25X1 attached to Vietnamese economic ministries and teaching in economic management schools. In addition, an increasing number of Vietnamese are studying economic planning in the Soviet Union. [redacted] 25X1 25X1

Appendix A

Table A-1
Vietnam: Details of External Debt to Official Creditors, as of December 1983

Organizations and Countries	Date of Loan	Amount of Loan *in millions of currency units*	Maturity Period		Interest Rate (*percent*)
			First Repayment	Last Repayment	
Asian Development Bank	1974	US $ 38.6	5 Jan 1979	10 Jan 2001	1.5-2.5
World Bank	1979	US $ 60.0	1 Jan 1989	1 Jun 2028	0.8
OPEC	1979	US $ 10.0	10 May 1983	4 May 1998	0.8
	1978	US $ 7.0	1983	1997	0.8
Algeria	1975	US $ 235.7	1980	1988	2.0
Belgium	1979	F 250.0	31 Dec 1989	2008	NA
Denmark	1976	DKr 150.0	10 Jan 1985	4 Jan 1990	NA
	1978	DKr 40.0	1 Apr 1988	10 Jan 2012	NA
	1979	DKr 80.0	1 Jan 1986	10 Jan 2013	NA
	1982	DKr 60.0	1 Oct 1992	1 Apr 2017	
France	1973	F 70.0	1977	1986	3.0-7.0
	1974	F 191.0	1977	1986	3.0-7.0
	1975	F 290.0	1976	1981	3.0-7.0
	1976	F 467.7	1978	1987	3.0-7.0
	1977	F 593.0	1978	1983	3.0-7.0
India	1978	Rs 100.0	1982	1991	5.0
	1980	Rs 50.0	1983	1992	5.0
	1981	Rs 100.0	1984	1993	5.0
	1982	Rs 100.0	1986	1996	5.0
Iraq	1975	ID 64.8	1 Jan 1979	1 Jan 1986	2.0
	1975	ID 40.5	1 Jan 1985	1 Jan 1986	2.0
	1979	US $ 70.0	1 Jan 1982	1991	2.5
	1980	ID 1.9	30 Sep 1982	30 Sep 1999	2.0
Italy	1978	US $ 20.0	1980	1989	4.0
	1980	US $ 10.0	24 Feb 1982	24 Aug 1991	4.0
Japan	1978	Y 10,000.0	20 Jul 1988	20 Jul 2008	2.0
	1979	Y 22,000.0	20 Jul 1988	20 Jul 2008	2.0
Kuwait	1979	US $ 10.0	1984	2004	2.5-5.5
Libya	1976	US $ 102.0	1979	1983	2.5
Netherlands	1980	f. 5.0	1989	2012	2.5
United Kingdom	1979	US $ 12.3	1979	1989	7.9

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Table A-2
Vietnam: Details of External Debt to Private Creditors, as of December 1983

Country	Creditor	Date of Loan	Amount of Loan *(in millions of currency units)*	Maturity Period		Interest Rate (percentage points unless otherwise noted)
				First Repayment	Last Repayment	
Austria	Credietwien [a]	1978	DM 8.3	30 Jun 1986	30 Jun 1988	LIBOR + 1.625
		1978	As 540.0	31 Mar 1982	30 Jun 1990	NA
Belgium	Societe Generale de Banque [a]	1978	BF 506.4	1 Feb 1982	1 Aug 1989	7.75 percent
		1979	BF 750.0	31 Dec 1982	2008	7.75 percent
		1980	BF 15.7	1 Feb 1982	1 Aug 1989	7.75 percent
Germany	Bank fur Gemeinwirschaft [a]	1981	DM 11.8	30 Jun 1986	30 Jun 1988	LIBOR + 1.75
	Landesbank	1980	DM 5.0	1 Jan 1984	30 Jun 1986	LIBOR + 1.75
Hong Kong	Wardley Limited [a]	1976	HK $ 45.0	31 Dec 1978	30 Dec 1988	H. K. prime + 1.75
India		1978	Rs 300.0	1983	1995	8.25 percent
		1980	Rs 150.0	1986	1995	8.25 percent
Italy	Banca Commerciale Italiana [a]	1978	US $ 10.4	1980	1989	LIBOR + 0.75
		1978	US $ 19.1	1980	1989	LIBOR + 0.75
Japan	Bank of Tokyo	1977	DM 30.0	1981	1982	LIBOR + 1.625
		1977	DM 73.5	27 Mar 1981	27 Sep 1982	LIBOR + 1.625
		1978	DM 87.7	17 Jan 1982	17 Jul 1983	LIBOR + 1.625
		1978	DM 38.0	1981	1983	LIBOR + 1.625
	Taiyo Kobe Bank (London)	1978	DM 8.4	22 May 1981	22 May 1983	LIBOR + 1.625
	Mitsubishi Bank (Singapore)	1978	DM 60.0	25 Nov 1981	25 Nov 1983	LIBOR + 1.625
	Taiyo Kobe Bank (Tokyo)	1978	DM 6.0	17 Jan 1982	17 Jul 1983	LIBOR + 1.625
	Mitsui Bank (Tokyo)	1978	DM 18.0	17 Jan 1982	17 Jan 1983	LIBOR + 1.625
	Dai-Ichi Kango (Tokyo)	1978	DM 14.0	1982	1984	LIBOR + 1.75
	Sauwa Bank (Hong Kong)	1978	DM 12.0	29 May 1982	29 Nov 1982	LIBOR + 1.75
	Bank of Tokyo (Tokyo)	1977	US $ 13.3	27 May 1981	27 Sep 1982	LIBOR + 1.75
	Mitsui Trust (Tokyo)	1977	US $ 13.8	23 Jun 1981	22 Dec 1981	LIBOR + 1.625
	Bank of Tokyo (Hong Kong)	1977	US $ 7.0	29 Sep 1980	27 Mar 1983	LIBOR + 1.75
	Long-Term Credit Bank of Japan (London)	1978	US $ 7.5	3 Oct 1981	3 Apr 1983	LIBOR + 1.8
Netherlands		1978	F 15.0	1982	1989	2.5 percent
		1979	F 22.4	1987	1998	2.5 percent
Norway		1977	NKr 45.0	31 Dec 1983	31 Dec 1992	NA
Sweden		1978	SKr 175.0	1979	1985	NA
Switzerland	Bankunion Zurich	1978	Sw F62.5	1978	1984	5.5 percent
United Kingdom	Hill Samuel London	1979	L 5.8	31 Dec 1980	30 Jun 1987	7.5 percent
	Private creditors	1979	DM 3.6	Jul 1980		LIBOR + 1.625
United Kingdom	Lazard London	1979	L 4.4	15 Jan 1985	15 Jul 1990	7.75 percent
	Private creditors	1979	L 9.0			LIBOR + 1.625
	Hill Samuel (Technotible)	1979	DM 3.7	Aug 1981	Aug 1984	LIBOR + 1.625

[a] All or parts of these loans have been previously rescheduled.

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Table A-3
Vietnam: Balance-of-Payments Summary

Million US $

	1978	1979	1980	1981	1982	1983 [a]
Current account	−887	−1,061	−788	−996	−794	−926
Merchandise trade	−837	−1,012	−759	−931	−838	−898
Non-Communist area	−333	−331	−173	−151	−105	−82
Communist area	−504	−681	−586	−780	−733	−816
Exports	648	587	537	467	591	652
Non-Communist area	126	102	121	119	160	178
Communist area	522	485	416	348	431	474
Imports	1,485	1,599	1,296	1,398	1,429	1,550
Non-Communist area	459	433	294	270	265	260
Communist area [b]	1,026	−1,166	1,002	1,128	1,164	1,290
Services and transfers (net)	−50	−49	−29	−65	44	−28
Interest payments [c]	23	36	41	72	77	73
Tourism and private transfers	19	14	19	20	49	35
Nonmonetary capital (net)	904	979	786	895	575	750
Receipt of loans and grants	1,006	1,091	987	1,272	931	1,061
Non-Communist area	495	398	346	193	88	113
Communist area	511	693	641	1,079	843	948
Repayments	102	112	201	377	356	311
Non-Communist area	95	100	173	203	246	180
Communist area	7	12	28	174	110	131
Errors and omissions [d]	−69	100	17	−140	33	1
Overall balance	−52	18	15	−241	−186	−175
Increase in arrears [c]	0	0	0	38	213	177
Accumulated arrears		0	0	38	251	428

[a] Preliminary. These data understate Vietnamese trade with non-Communist and Communist areas and capital inflows from the Communist area.
[b] Data for Communist area cover exports and imports of goods and services.
[c] Includes imputed interest on arrears.
[d] Includes SDR allocations.

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Appendix B

Principal Vietnamese Exports

Vietnam faces severe problems with its major potential exports to the West. [redacted] 25X1

Coal
The north's major hard currency earner, Vietnamese anthracite has been exported to Japan for decades. Vietnam also has small amounts of bituminous coal which it is beginning to exploit. The national plan places heavy emphasis on coal as a source of power and as a foreign exchange earner, but damage by the Chinese invasion in 1979, delapidated equipment, and an inadequate transportation network have held coal production to an annual average of 6 million metric tons in the past three years—roughly the same level achieved in 1977. Moreover, problems of port capacity and reduced Japanese demand have plagued Hanoi's coal exports since 1981. Efforts by the Vietnamese to gain new markets for coal in South Korea, Taiwan, and Western Europe have so far met with little success. [redacted] 25X1

Rubber
A major export for the south, rubber earnings equaled or exceeded those from rice in many years. The rubber plantations suffered severe damage during the Vietnamese war and many were abandoned. Rubber from the remaining plantations is now exported to CEMA countries at prices equal to a five-year-moving-average of world rubber prices. Since 1978, however, Hanoi—with Soviet assistance—has undertaken extensive renovation and planted new estates. Many of the new trees will be ready to tap in two to three years, but Hanoi may face problems assuring a steady labor force. [redacted] 25X1 workers brought to rubber estates from Ho Chi Minh City frequently leave after a few weeks. Moreover, both rubber production and processing suffer from poor quality, and the Vietnamese have received little technical help since the Malaysian Government withdrew its aid program in 1978. [redacted] 25X1

Rice
Although the north has historically been a rice deficit area, the south in the early 1960s exported over 300,000 tons annually. Nonetheless, the reunified country, even with good weather, is barely able to provide its rapidly growing population of 60 million with a nutritionally adequate level of rice. Hanoi has over the past few years, however, exported small amounts of high-quality Mekong Delta rice and imported a much larger amount of low-quality rice from Thailand and Burma. This practice is likely to increase in good crop years. [redacted] 25X1

Seafood
The sale of frozen seafood—largely to Japan—has been Vietnam's export success story over the past few years. Private Japanese companies provided ships and refrigeration equipment on easy credit and buy most of the output. Frozen shrimp is also exported to Singapore, where, [redacted] some is repackaged and shipped to Western Europe and the United States. [redacted] 25X1 25X1

Tea and Coffee
Once exported to Europe, tea and coffee now go largely to the Soviet Bloc. Hanoi has renovated some tea plantations and is beginning to ship good-quality tea to Singapore. [redacted] 25X1 25X1

Manufactures
The production of light manufactures and handicrafts spurted after the reforms of 1979-81. These items are exported almost entirely to the Soviet Bloc, where complaints of low quality are common. [redacted] 25X1